

Michigan Technical Academy

Redford, Michigan

Audited Financial Statements

June 30, 2008

CROSKEY, LANNI & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Michigan Technical Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Michigan Technical Academy, as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of Michigan Technical Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Michigan Technical Academy as of June 30, 2008, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2008 on our consideration of Michigan Technical Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through x, and 19, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Michigan Technical Academy's basic financial statements. The introductory section, combining and individual non major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Croskey, Lanni & Company, P.C.

Croskey, Lanni & Company, P.C.

September 29, 2008
Rochester, Michigan

Michigan Technical Academy Management's Discussion and Analysis

This section of Michigan Technical Academy's (Academy) annual financial report presents our discussion and analysis of the public school academy's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Financial Highlights

- The Academy improved its fund balance in its general fund by \$723,947 or 1896%. As of June 30, 2008, the fund balance stands at \$764,245.
- The Academy's total net assets increased by \$829,482 or 132%. As of June 30, 2008, the Academy's net assets stand at \$1,457,643.
- The Academy's K-12 enrollment remained fairly stable overall despite the negative economic and demographic pressures in our community, including, but not limited to, loss of population within the City of Detroit and increasing family transience.
- The Academy discontinued its shared time program, which generated significant net revenue, at the start of the fiscal year without negative impact on its core programs.
- The Academy maintained its outstanding liabilities and operated without program or staffing reductions.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The basic financial statements include two kinds of statements that present different views of the Academy.

The first two statements are Academy-wide financial statements that provide both short-term and long-term information about the Academy's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the Academy, reporting the Academy's operations in more detail than the Academy-wide statements.

The governmental fund statements tell how basic services like regular education were financed in the short-term as well as what remains for future spending.

Fiduciary fund statements provide information about the financial relationships in which the Academy acts solely as an agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the Academy's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

Michigan Technical Academy
Management's Discussion and Analysis (Continued)

Figure A-1 Organization of Michigan Technical Academy Annual Financial Report

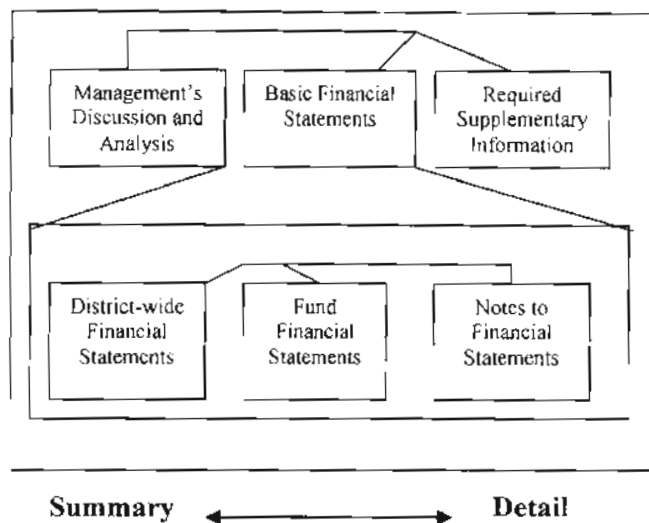


Figure A-2 summarizes the major features of the Academy's financial statements, including the portion of the Academy's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Michigan Technical Academy
Management's Discussion and Analysis (Continued)**

Figure A-2 Major Features of the Academy-Wide and Fund Financial Statements

	Academy-wide statements	Fund Financial Statements	
		Governmental funds	Fiduciary funds
Scope	Entire academy (except fiduciary funds)	All activities of the academy that are not fiduciary	Instances in which the academy administers resources on behalf of someone else, such as student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenue, expenditures and changes in fund balances	Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, the academy's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Michigan Technical Academy Management's Discussion and Analysis (Continued)

Academy-Wide Statements

The Academy-wide statements report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Academy's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Academy-wide statements report the Academy's net assets and how they have changed. Net assets – the difference between the Academy's assets and liabilities, are one way to measure the Academy's financial health or position.

- Over time, increases or decreases in the Academy's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy, the reader should consider additional non-financial factors such as changes in the Academy's enrollment, the condition of school buildings and other facilities, and the Academy's ability to be competitive with other public school academies and area school districts.

Fund Financial Statements

The fund financial statements provide more detailed information about the Academy's funds, focusing on its more significant or "major" funds – not the Academy as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs:

Governmental activities – The Academy's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.

The Academy has two kinds of funds:

Governmental funds – Most of the Academy's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. Because this information does not encompass the additional long-term focus of the Academy-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Fiduciary funds – The Academy is the fiduciary for assets that belong to others, such as the student activities funds. The Academy is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and used by those to whom the assets belong. We exclude these activities from the academy-wide financial statements because the Academy cannot use these assets to finance its operations.

Michigan Technical Academy Management's Discussion and Analysis (Continued)

Financial Analysis of the Academy as a Whole

Net assets - the Academy's combined net assets were \$1,457,643 on June 30, 2008. See Figure A-3.

The total revenues decreased by 3.2 percent to \$9,945,562. State aid foundation allowance included in revenue from state sources accounts for most of the Academy's revenue (90 percent).

The improvement in the Academy's financial position is due to comprehensive changes implemented by management throughout the 2007-08 fiscal year, including but not limited to, the net cost reduction of executive administration and management services; improved revenue and decreased expenses in food services; reduction of custodial and maintenance expenses through early cancellation of contracts, employment of custodial personnel through personnel company, and better utilization of human resources; reduction of building repair and maintenance through competitive price quotations, improved need assessment and use of in-house personnel; reduced property and casualty insurance costs through competitive bidding; review of all existing contracts, leases and accounts, resulting in discovery of rent over-payment of approximately \$80,000, and \$68,000 from debt-service fund available for transfer to the general fund; reduction of net interest cost on state aid note borrowing through participation in State of Michigan program; change to significantly less expensive of internet service provider; and other reforms.

Academy Governmental Activities

The overall health of the Academy's finances remains on solid ground and management anticipates further improvement in the coming fiscal year. The Academy's management and operational reforms are not "one-time" savings, but are structural changes providing annual benefits. Despite a weak economy and low increases in state aid and other revenue, the Academy is positioned to operate efficiently and maintain or improve its financial position going forward.

Figure A-3
Michigan Technical Academy

	2007	2008
Current assets	\$ 4,708,316	\$ 3,646,293
Capital assets	7,428,318	7,330,342
Total assets	12,136,634	10,976,635
Current liabilities	4,189,536	2,400,518
Noncurrent liabilities	7,318,937	7,118,474
Total liabilities	11,508,473	9,518,992
Net assets		
Invested in capital assets, net of related debt	(181,757)	11,396
Restricted for debt service		828,196
Unrestricted	809,918	618,051
Total net assets	\$ 628,161	\$ 1,457,643

Michigan Technical Academy
Management's Discussion and Analysis (Continued)

Figure A-4		
Changes in Michigan Technical Academy's Net Assets		
	2007	2008
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 725,832	\$ 1,351,785
General revenues:		
State aid - unrestricted	9,298,918	8,479,640
Other	615,181	360,699
Loss on Disposal of Assets	-	-
Total revenues	10,639,931	10,192,124
Expenses:		
Instruction	4,013,640	3,929,014
Support services	4,754,841	4,106,744
Food services	417,342	337,768
Community services	783,305	104,317
Interest	777,609	666,835
Unallocated depreciation	382,856	217,964
Total expenses	11,129,593	9,362,642
Changes in net assets	\$ (489,662)	\$ 829,482

Financial Analysis of the Academy's Funds

The stable financial performance of the Academy as a whole is reflected in its governmental fund as well. As the Academy completed the year, its governmental fund (general) reported a fund balance of \$764,245, an increase of \$723,947 from last year's ending fund balance of \$40,298.

General Fund Budgetary Highlights

Over the course of the year, the Academy revised the annual operating budget three times. These budget amendments fall into several categories:

Changes were made in the first and second quarter to account for student enrollment counts, termination of the shared time program, and changes in assumptions (e.g. instructional costs, building rents, capital outlay) since the original budget was adopted. Changes were made in the fourth quarter to reflect anticipated revenues and cost reductions.

While the Academy's final budget for the general fund anticipated revenues would exceed expenditures by \$557,667, the actual results for the year showed revenues over expenditures of \$723,947.

Michigan Technical Academy
Management's Discussion and Analysis (Continued)

Capital asset and Debt Administration

Capital Assets

By the end of the year ended June 30, 2008, the Academy had invested \$7,330,342 in capital assets consisting primarily of computers, software, furniture and fixtures, net of accumulated depreciation. More detailed information about capital assets can be found in Note 5 to the financial statements. Total depreciation expense for the year was \$217,964.

The Academy's capital assets are as follows:

	Balance July 1, 2007	Additions	Balance June 30, 2008
Bond finance costs	\$ 405,859	\$ -	\$ 405,859
Commercial property	4,125,491	-	4,125,491
Computer equipment	95,603	26,336	121,939
Computer software	68,614	-	68,614
Furniture and equipment	1,320,912	50,977	1,371,889
Land	540,000	-	540,000
Leasehold improvements	1,827,123	42,673	1,869,796
Instructional vehicles	40,000	-	40,000
Transportation vehicles	88,030	-	88,030
Subtotal	8,511,632	119,986	8,631,618
Accumulated depreciation	1,083,312	217,964	1,301,276
Net book value of assets	<u>\$ 7,428,320</u>	<u>\$ (97,978)</u>	<u>\$ 7,330,342</u>

Factors Bearing on the Academy's Future

At the time these financial statements were prepared and audited, the academy was not aware of any existing circumstances that could significantly affect its financial health in the future.

Contacting the Academy's Financial Management

This financial report is designed to provide our students, parents and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact the Academy's office at 23750 Elmira, Redford, MI 48239.

MICHIGAN TECHNICAL ACADEMY

STATEMENT OF NET ASSETS

JUNE 30, 2008

See Independent Auditor's Report

ASSETS

Current Assets

Cash and cash equivalents	\$ 553,951
Investments	828,196
Accounts receivable	1,353
Due from other governmental units	1,701,773
Prepaid expenses	<u>561,020</u>
Total current assets	3,646,293

Facilities, Furniture and Equipment

At cost less accumulated depreciation of \$1,301,276	<u>7,330,342</u>
Total assets	<u><u>\$ 10,976,635</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 341,621
Notes payable	1,483,377
Other accrued expenses	375,048
Long-term debt - current portion	<u>200,472</u>
Total current liabilities	2,400,518

Long-Term Debt - Long-Term Portion	7,118,474
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Net Assets

Invested in capital assets net of related debt	11,396
Restricted for debt service	828,196
Unrestricted	<u>618,051</u>
Total net assets	<u>1,457,643</u>
Total liabilities and net assets	<u><u>\$ 10,976,635</u></u>

See accompanying notes to financial statements

MICHIGAN TECHNICAL ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants	Revenues and Changes in Net Assets
				Government Type Activities
Elementary school	\$ 1,217,599	\$ -	\$ -	\$ (1,217,599)
Middle school	825,809	-	-	(825,809)
High school	1,125,693	-	-	(1,125,693)
Summer school	9,849	-	-	(9,849)
Special education	281,195	-	209,388	(71,807)
Compensatory education	468,869	-	790,974	322,105
Student support services	234,378	-	-	(234,378)
Staff support services	201,106	-	4,000	(197,106)
Non-instructional support	91,807	-	61,882	(29,925)
General administration	151,157	-	-	(151,157)
Executive administration	760,764	-	-	(760,764)
Building administration	928,368	-	-	(928,368)
Lunch program	337,768	16,348	285,541	(35,879)
Business support services	52,931	-	-	(52,931)
Operations and maintenance	1,441,617	-	-	(1,441,617)
Non-public school	102,769	-	-	(102,769)
Athletic program	47,158	6,835	-	(40,323)
Transportation	197,458	-	-	(197,458)
Community activities	1,548	-	-	(1,548)
Unallocated depreciation	217,964	-	-	(217,964)
Unallocated interest	666,835	138,922	-	(527,913)
Total primary government	<u>\$ 9,362,642</u>	<u>\$ 162,105</u>	<u>\$ 1,351,785</u>	<u>(7,848,752)</u>
General Purpose Revenues:				
State school aid - unrestricted				8,479,640
Rental income				83,108
Miscellaneous				115,486
Total general purpose revenues				<u>8,678,234</u>
Excess of revenues over expenses				829,482
Net assets - July 1, 2007				<u>628,161</u>
Net assets - June 30, 2008				<u>\$ 1,457,643</u>

See accompanying notes to financial statements

MICHIGAN TECHNICAL ACADEMY

COMBINED BALANCE SHEET - ALL FUND TYPES

JUNE 30, 2008

See Independent Auditor's Report

ASSETS

	<u>General</u>	<u>Debt Service</u>
Cash and cash equivalents	\$ 553,951	\$ -
Investments	-	828,196
Accounts receivable	1,353	-
Due from other governmental units	1,701,773	-
Prepaid expenses	561,020	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 2,818,097</u>	<u>\$ 828,196</u>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	\$ 341,621	\$ -
Notes payable	1,483,377	-
Other accrued expenses	228,854	-
	<u> </u>	<u> </u>
Total liabilities	2,053,852	-

Fund Balance

Designated for debt service	-	828,196
Unreserved:		
Undesignated	764,245	-
	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 2,818,097</u>	<u>\$ 828,196</u>

See accompanying notes to financial statements

MICHIGAN TECHNICAL ACADEMY

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES**

JUNE 30, 2008

See Independent Auditor's Report

Amounts reported for governmental activities in the statement of net assets are different because:

Total Governmental Fund Balances	\$ 1,592,441
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$8,631,618 and the accumulated depreciation is \$1,301,276.	7,330,342
Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(146,194)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(7,318,946)</u>
Net Assets of Governmental Activities	<u><u>\$ 1,457,643</u></u>

MICHIGAN TECHNICAL ACADEMY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008
 See Independent Auditor's Report

	<u>General</u>	<u>School Service</u>
Revenues		
Local sources	\$ 308,901	\$ 23,183
State sources	8,944,872	9,346
Federal sources	691,789	276,195
Total governmental fund revenues	9,945,562	308,724
Expenditures		
Elementary school	1,217,599	-
Middle school	825,809	-
High school	1,125,693	-
Summer school	9,849	-
Special education	281,195	-
Compensatory education	468,869	-
Student support services	234,378	-
Staff support services	201,106	-
Non-instructional support	91,807	-
General administration	151,157	-
Executive administration	760,764	-
Building administration	928,368	-
Lunch program	-	337,768
Business support services	47,544	-
Operations and maintenance	1,441,617	-
Non-public school	102,769	-
Athletic program	-	47,158
Transportation	197,458	-
Community activities	1,548	-
Capital outlay	119,986	-
Debt principal and interest	262,089	-
Total governmental fund expenditures	8,469,605	384,926
Excess (deficiency) of revenues over expenditures	1,475,957	(76,202)
Other Financing Sources (Uses)		
Operating transfers in	-	76,202
Operating transfers out	(752,010)	-
Total other financing sources (uses)	(752,010)	76,202
Excess of revenues and other financing sources over expenditures and other uses	723,947	-
Fund balance - July 1, 2007	40,298	-
Fund balance - June 30, 2008	\$ 764,245	\$ -

<u>Debt Service</u>	<u>Capital Projects</u>
\$ 28,615	\$ -
-	-
-	-
<u>28,615</u>	<u>-</u>
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
5,387	-
-	-
-	-
-	-
-	-
-	-
549,977	-
<u>555,364</u>	<u>-</u>
(526,749)	-
686,243	-
-	(10,435)
<u>686,243</u>	<u>(10,435)</u>
159,494	(10,435)
<u>668,702</u>	<u>10,435</u>
\$ 828,196	\$ -

MICHIGAN TECHNICAL ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$	873,006
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	119,986	
Depreciation expense		<u>(217,964)</u>	(97,978)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.

(90,777)

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Repayment of loan principal	\$	290,987	
Interest expense		<u>(145,756)</u>	<u>145,231</u>

Change in Net Assets of Governmental Activities	\$	<u>829,482</u>
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See accompanying notes to financial statements

MICHIGAN TECHNICAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies of Michigan Technical Academy (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Michigan Technical Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, and began operation in August 1995.

In July 2005, the Academy entered into a three-year contract with Central Michigan University's Board of Trustees to charter a public school academy. The contract was subsequently renewed for an additional three years in July, 2008. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Central Michigan University's Board of Trustees three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2008 were approximately \$254,450.

In February 2008, the Academy entered into a one-year agreement with MMI, Inc., "MMI". Under the terms of this agreement, MMI shall recommend staffing levels, and shall evaluate, assign, supervise, discipline, transfer and terminate personnel. The Academy is obligated to pay MMI two and six tenths percent of payroll as compensation. The total paid for these services amounted to approximately \$102,000 for the year ended June 30, 2008.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operation of financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Academy has designated all of its funds as major.

Basis of Presentation - Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined basic financial statements in this report, into governmental fund types as follows:

MICHIGAN TECHNICAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Governmental Funds

A governmental fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

School Service Fund - The school service fund is used to account for the food service program operations. The school service fund is a subsidiary operation and is an obligation of the general fund. Therefore any shortfall in the school service fund will be covered by an operating transfer from the general fund. The school service fund does not maintain its own assets and liabilities; accordingly, no balance sheet is presented for this fund.

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Fiduciary Fund - The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Activity (Agency) Fund - The Academy presently maintains an activity fund to record the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

Governmental and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

MICHIGAN TECHNICAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Cash and Cash Equivalents

The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the Academy to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, saving accounts, deposit accounts, and or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

MICHIGAN TECHNICAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Receivables

Receivables at June 30, 2008 consist primarily of state school aid due from the State of Michigan. All receivables are expected to be fully collected in July and August of 2008 and are considered current for the purposes of these basic financial statements.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met and recorded as deferred revenue.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy defines capital assets as those with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 - 50 years
Furniture and equipment	3 - 15 years
Computers and software	3 - 10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws of regulations of other governments.

MICHIGAN TECHNICAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
 See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - Stewardship, Compliance and Accountability

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general and school service funds. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt budgets for the general fund and school services fund. During the year ended June 30, 2008 the budget was amended in a legally permissible manner.

The budget statement (budgetary comparison schedule - governmental funds) is presented on the combined statement of revenue, expenditures, and fund balances. Budget overruns are as follows:

	Budget	Actual
General Fund		
Elementary school	\$ 1,215,020	\$ 1,217,599
Middle school	814,260	825,809
High school	1,065,003	1,125,693
Compensatory education	463,344	468,869
Executive administration	731,365	760,764
Business support services	45,987	47,544
Operations and maintenance	1,438,861	1,441,617
Community affairs	1,048	1,548
Operating transfers out	579,821	752,010
School Service Fund		
Lunch program	323,000	337,768

MICHIGAN TECHNICAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 3 - Deposits and Investments

As of June 30, 2008, the Academy had the following investments.

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Cash on hand			\$ 553,951
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	828,196
Total deposits and investments			<u>\$ 1,382,147</u>

The above amounts are reported in the financial statements as follows:

Deposits:		
Cash - Academy Wide		\$ 553,951
Investments:		
Investments - Debt Service		828,196
Total deposits and investments		<u>\$ 1,382,147</u>

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

MICHIGAN TECHNICAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 3 - Deposits and Investments - Continued

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the Academy's investments were rated AAAm by Standards & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk

The district will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in investment pools which represents 100% of the Academy's total investments.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$530,655 of the Academy's bank balance of was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

NOTE 4 - Due From Other Governmental Units

Amounts due from other governmental units at year end consists of the following:

At risk	\$ 60,036
Federal grants	76,083
Special education	11,951
State aid	1,542,447
Vocational education	11,256
Total	<u>\$ 1,701,773</u>

MICHIGAN TECHNICAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 5 - Prepaid Expenses

Amounts prepaid at year end consist of the following:

Construction in progress	\$ 505,482
Facility insurance and rent	7,562
Purchased services - payroll and benefits	43,506
Miscellaneous	4,470
Total	<u>\$ 561,020</u>

NOTE 6 - Accrued Expenses

Amounts accrued at June 30, 2008 consist of the following:

	<u>Net Assets</u>	<u>Funds</u>
Purchased services - benefits	\$ 13,774	\$ 13,774
Payroll taxes and benefits	8,289	8,289
Due to other governmental units	160,518	160,518
Oversight fees	46,273	46,273
Interest	146,194	-
Total	<u>\$ 375,048</u>	<u>\$ 228,854</u>

NOTE 7 - Notes Payable

The Academy has obtained two lines of credit from a financial institution. The lines were issued to provide the Academy with operating money during the school year. The first line, issued for \$7,000,000, has a term of one year, with monthly payments of \$724,655, with a final payment July 2008. The second line, issued for \$800,000 in May 2008, has a term of 45 days, with a payment of \$803,111 due July, 2008. Interest on both lines is calculated at 6.65% and 5.0% respectively. Security for the lines is provided through future state aid payments. The total amounts outstanding on the lines at June 30, 2008 amounted to \$683,377 and \$800,000 respectively.

Notes payable as of June 30, 2008 can be summarized as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2008</u>
Loan 1	\$ 3,607,333	\$ -	\$ 3,607,333	\$ -
Loan 2	-	7,000,000	6,316,623	683,377
Loan 3	-	800,000	-	800,000
Total notes payable	<u>\$ 3,607,333</u>	<u>\$ 7,800,000</u>	<u>\$ 9,923,956</u>	<u>\$ 1,483,377</u>

MICHIGAN TECHNICAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 8 - Capital Assets

Capital asset activity of the Academy's governmental activities was as follows:

	Balance July 1, 2007	Additions	Balance June 30, 2008
Bond finance costs	\$ 405,859	\$ -	\$ 405,859
Commercial property	4,125,491	-	4,125,491
Computer equipment	95,603	26,336	121,939
Computer software	68,614	-	68,614
Furniture and equipment	1,320,912	50,977	1,371,889
Land	540,000	-	540,000
Leasehold improvements	1,827,123	42,673	1,869,796
Instructional vehicles	40,000	-	40,000
Transportation vehicles	88,030	-	88,030
Subtotal	8,511,632	119,986	8,631,618
Accumulated depreciation	1,083,312	217,964	1,301,276
Net book value of assets	<u>\$ 7,428,320</u>	<u>\$ (97,978)</u>	<u>\$ 7,330,342</u>

Depreciation expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

NOTE 9 - Long-Term Obligation Payable

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Retirements & Payments	Balance June 30, 2008	Due Within One Year
Capital lease	\$ 101,289	\$ -	\$ 101,289	\$ -	\$ -
Building loan	558,644	-	99,698	458,946	105,472
Certificates of Participation	6,950,000	-	90,000	6,860,000	95,000
Total	<u>\$ 7,609,933</u>	<u>\$ -</u>	<u>\$ 290,987</u>	<u>\$ 7,318,946</u>	<u>\$ 200,472</u>

MICHIGAN TECHNICAL ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 9 - Long-Term Obligation Payable - Continued

The Academy has issued Certificates of Participation bearing interest at an average rate of 6.3 % through the year ended June 30, 2036. The obligations require semi-annual interest payments due on February 1st and August 1st and an annual payment of principal due on February 1st beginning in 2008. The certificates are collateralized by a mortgage on the Academy's facility as well as a pledge for 20% of State School Aid payments and funds held in trust for debt service.

Following are maturities of long-term obligations principal and interest for each of the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2009	\$ 200,472	\$ 461,191
2010	211,421	449,542
2011	227,707	437,256
2012	239,346	424,017
2013	120,000	413,381
2014 - 2018	725,000	1,948,444
2019 - 2023	985,000	1,689,244
2024 - 2028	1,345,000	1,332,844
2029 - 2033	1,845,000	835,900
2034 - 2036	1,420,000	188,825

NOTE 10 - Operating Lease

The Academy has entered into operating lease agreements with an unrelated third party for building and land. The Academy is responsible for all costs and expenses related to the property. The Academy is required to maintain adequate property and liability insurance coverage as well as maintain the property in like condition as at the inception of the lease term. The rental payments for the building leases, which began at various dates starting in July 2002, and end during various periods through 2014.

The approximate amount of lease obligations coming due during the next five years and in total are as follows:

	<u>Building</u>
2009	\$ 474,496
2010	486,396
2011	252,996
2012	255,996
2013	159,000
2014	162,000

Total rent expense included in the determination of net earnings for the year ended June 30, 2008 amounted to \$528,956.

MICHIGAN TECHNICAL ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 11 - Retirement Plan

All leased employees of the Academy are eligible to participate in a retirement plan established by MM1 which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The Academy, under this plan, will contribute 5% of salaries regardless of the amount the employee contributes. Eligible employees may contribute up to 15% of their salaries under the terms of this plan. Total Academy contributions to the plan amounted to \$196,080 for the year ended June 30, 2008.

NOTE 12 - Interfund Transfers

During the normal course of the school year the Academy transferred amounts between its three major funds as follows:

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfers In	\$ -	\$ 76,202	\$ 686,243	\$ -
Transfers Out	752,010	-	-	10,435

As stipulated by the Academy's Certificates of Participation as described in Note 9, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion needed for debt service and returns the remainder to the Academy. This accounts for the major activity in the Academy's interfund transfer account.

NOTE 13 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since the Academy's inception.

David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA
Clifton F. Powell Jr., CPA

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors of Michigan Technical Academy

We have audited the accompanying financial statements of Michigan Technical Academy for the year ended June 30, 2008. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not required as part of the financial statements of Michigan Technical Academy. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Croskey, Lanni & Company, P.C.
Croskey, Lanni & Company, P.C.

September 29, 2008
Rochester, Michigan

MICHIGAN TECHNICAL ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report on Supplemental Information

	General		
	Original Budget	Final Budget	Actual
Revenues			
Local sources	\$ 208,811	\$ 308,020	\$ 308,901
State sources	11,509,021	8,926,147	8,944,872
Federal sources	535,042	618,567	691,789
Total governmental fund revenues	12,252,874	9,852,734	9,945,562
Expenditures			
Elementary school	1,650,044	1,215,020	1,217,599
Middle school	820,409	814,260	825,809
High school	1,374,355	1,065,003	1,125,693
Summer school	-	50,000	9,849
Special education	431,955	286,113	281,195
Compensatory education	685,156	463,344	468,869
Student support services	180,500	247,369	234,378
Staff support services	173,565	206,238	201,106
Non-instructional support	110,872	102,773	91,807
General administration	241,500	154,920	151,157
Executive administration	1,029,817	731,365	760,764
Building administration	1,139,812	930,547	928,368
Lunch program	-	-	-
Business support services	99,750	45,987	47,544
Operations and maintenance	1,996,150	1,438,861	1,441,617
Non-public school	825,536	102,769	102,769
Athletic program	-	-	-
Transportation	212,566	201,692	197,458
Community activities	-	1,048	1,548
Capital outlay	155,000	196,359	119,986
Debt principal and interest	303,673	461,578	262,089
Total governmental fund expenditures	11,430,660	8,715,246	8,469,605
Excess (deficiency) of revenues over expenditures	822,214	1,137,488	1,475,957
Other Financing Sources (Uses)			
Operating transfers in	-	-	-
Operating transfers out	(738,000)	(579,821)	(752,010)
Total other financing sources (uses)	(738,000)	(579,821)	(752,010)
Excess of revenues and other financing sources over expenditures and other uses	84,214	557,667	723,947
Fund balance - July 1, 2007	40,298	40,298	40,298
Fund balance - June 30, 2008	\$ 124,512	\$ 597,965	\$ 764,245

School Service		
Original Budget	Final Budget	Actual
\$ 17,300	\$ 13,000	\$ 23,183
5,950	-	9,346
230,000	260,000	276,195
253,250	273,000	308,724
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
398,250	323,000	337,768
-	-	-
-	-	-
-	-	-
18,000	55,000	47,158
-	-	-
-	-	-
-	-	-
-	-	-
416,250	378,000	384,926
(163,000)	(105,000)	(76,202)
163,000	105,000	76,202
-	-	-
163,000	105,000	76,202
-	-	-
-	-	-
\$ -	\$ -	\$ -

MICHIGAN TECHNICAL ACADEMY

SCHEDULE OF REVENUES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
Local Sources			
Custody and care of children	\$ 13,831	\$ -	\$ -
Food service	-	16,348	-
Interest income	110,307	-	28,615
Rental income	83,108	-	-
Student activity	62,004	-	-
Miscellaneous	39,651	6,835	-
	<hr/>	<hr/>	<hr/>
Total local sources	308,901	23,183	28,615
State Sources			
At risk	330,049	-	-
State aid	8,479,640	-	-
Special education	73,301	-	-
School lunch	-	9,346	-
Vocational education	61,882	-	-
	<hr/>	<hr/>	<hr/>
Total state sources	8,944,872	9,346	-
Federal Sources			
Federal commodities	-	13,645	-
National lunch program	-	262,550	-
Special education	136,087	-	-
Service provider self review grant	4,000	-	-
Title I	520,577	-	-
Title II-A	26,788	-	-
Title V	4,337	-	-
	<hr/>	<hr/>	<hr/>
Total federal sources	691,789	276,195	-
	<hr/>	<hr/>	<hr/>
Total governmental fund revenues	<u>\$ 9,945,562</u>	<u>\$ 308,724</u>	<u>\$ 28,615</u>

MICHIGAN TECHNICAL ACADEMY

SCHEDULE OF EXPENDITURES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
Elementary School			
Purchased services - salaries	\$ 879,897	\$ -	\$ -
Purchased services - benefits	164,910	-	-
Purchased services - payroll taxes	83,960	-	-
Field trips	21,860	-	-
Teaching supplies and materials	31,142	-	-
Textbooks	29,180	-	-
Miscellaneous	6,650	-	-
Total elementary school	1,217,599	-	-
Middle School			
Purchased services - salaries	578,717	-	-
Purchased services - benefits	115,375	-	-
Purchased services - payroll taxes	53,494	-	-
Field trips	31,459	-	-
Teaching supplies and materials	12,995	-	-
Textbooks	26,344	-	-
Miscellaneous	7,425	-	-
Total middle school	825,809	-	-
High School			
Purchased services - salaries	755,231	-	-
Purchased services - benefits	160,318	-	-
Purchased services - payroll taxes	70,307	-	-
Field trips	10,991	-	-
Teaching supplies and materials	57,546	-	-
Textbooks	19,689	-	-
Workshops and conferences	2,303	-	-
Miscellaneous	49,308	-	-
Total high school	1,125,693	-	-
Summer School			
Teaching supplies and materials	9,849	-	-

MICHIGAN TECHNICAL ACADEMY

SCHEDULE OF EXPENDITURES - GOVERNMENTAL FUNDS - Continued FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
Special Education			
Purchased services - salaries	238,162	-	-
Purchased services - benefits	22,762	-	-
Purchased services - payroll taxes	19,256	-	-
Teaching supplies and materials	1,015	-	-
Total special education	281,195	-	-
Compensatory Education			
Purchased services - salaries	380,095	-	-
Purchased services - benefits	27,013	-	-
Purchased services - payroll taxes	34,078	-	-
Teaching supplies and materials	27,683	-	-
Total compensatory education	468,869	-	-
Student Support Services			
Purchased services - salaries	187,948	-	-
Purchased services - benefits	32,609	-	-
Purchased services - payroll taxes	12,696	-	-
Outside services	1,125	-	-
Total student support services	234,378	-	-
Staff Support Services			
Purchased services - salaries	157,768	-	-
Purchased services - benefits	17,797	-	-
Purchased services - payroll taxes	13,639	-	-
Outside services	11,902	-	-
Total staff support services	201,106	-	-
Non-Instructional Support	91,807	-	-

MICHIGAN TECHNICAL ACADEMY

SCHEDULE OF EXPENDITURES - GOVERNMENTAL FUNDS - Continued FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
General Administration			
Marketing and recruitment	82,822	-	-
Professional services	68,335	-	-
Total general administration	151,157	-	-
Executive Administration			
Purchased services - salaries	341,682	-	-
Purchased services - benefits	37,044	-	-
Purchased services - payroll taxes	11,573	-	-
CMU oversight fees	254,423	-	-
Management fees	101,997	-	-
Office supplies	6,867	-	-
Workshops and conferences	4,245	-	-
Miscellaneous	2,933	-	-
Total executive administration	760,764	-	-
Building Administration			
Purchased services - salaries	619,085	-	-
Purchased services - benefits	81,978	-	-
Purchased services - payroll taxes	56,974	-	-
Equipment lease	89,584	-	-
Office supplies	25,375	-	-
Postage	15,360	-	-
Workshops and conferences	2,891	-	-
Miscellaneous	37,121	-	-
Total building administration	928,368	-	-
Lunch Program			
Purchased services - salaries	-	68,642	-
Purchased services - payroll taxes	-	7,632	-
Food	-	261,494	-
Total lunch program	-	337,768	-

MICHIGAN TECHNICAL ACADEMY

SCHEDULE OF EXPENDITURES - GOVERNMENTAL FUNDS - Continued FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
Business Support Services			
Bank fees	5,935	-	5,387
Liability insurance	41,609	-	-
Total business support services	47,544	-	5,387
Operations and Maintenance			
Liability insurance	88,376	-	-
Repairs and maintenance	541,056	-	-
Rent	500,732	-	-
Utilities	311,453	-	-
Total operations and maintenance	1,441,617	-	-
Non-public school			
Purchases services - salaries	82,344	-	-
Purchased services - benefits	13,621	-	-
Purchased services - payroll taxes	6,473	-	-
Supplies	331	-	-
Total non-public school	102,769	-	-
Athletic Program			
Purchased services - salaries	-	16,770	-
Purchased services - benefits	-	745	-
Purchased services - payroll taxes	-	1,832	-
Contracted services	-	7,225	-
Dues and memberships	-	5,686	-
Materials and supplies	-	11,186	-
Rent	-	3,714	-
Total athletic program	-	47,158	-

MICHIGAN TECHNICAL ACADEMY

SCHEDULE OF EXPENDITURES - GOVERNMENTAL FUNDS - Continued FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>School Service</u>	<u>Debt Service</u>
Transportation			
Purchased services - salaries	126,788	-	-
Purchased services - payroll taxes	13,355	-	-
Equipment lease	28,224	-	-
Fuel	21,665	-	-
Repairs and maintenance	7,426	-	-
	<hr/>	<hr/>	<hr/>
Total transportation	197,458	-	-
Community Activities	1,548	-	-
Capital Outlay			
Elementary school	6,232	-	-
Middle school	1,807	-	-
High school	10,753	-	-
Executive administration	8,323	-	-
Building administration	650	-	-
Operations and maintenance	91,081	-	-
Athletics	1,140	-	-
	<hr/>	<hr/>	<hr/>
Total capital outlay	119,986	-	-
Debt Principal and Interest	262,089	-	549,977
	<hr/>	<hr/>	<hr/>
Total governmental fund expenditures	<u>\$ 8,469,605</u>	<u>\$ 384,926</u>	<u>\$ 555,364</u>

David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA
Clifton F. Powell Jr., CPA

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

**To the Board of Directors
of Michigan Technical Academy**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Michigan Technical Academy as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated September 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Michigan Technical Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Michigan Technical Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Michigan Technical Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

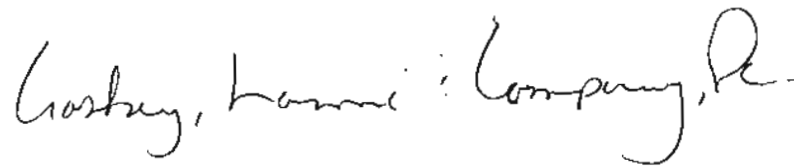
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Michigan Technical Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, the Michigan Department of Education, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.



Croskey, Lanni & Company, P.C.

September 29, 2008
Rochester, Michigan